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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
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10/636,125

08/07/2003

Robert B. Phelps

S-816

1568

2071 7590 01/05/2009  
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EXAMINER

FRENEL, VANEL

ART UNIT

PAPER NUMBER

3687

MAIL DATE

DELIVERY MODE

01/05/2009

PAPER

**Please find below and/or attached an Office communication concerning this application or proceeding.**

The time period for reply, if any, is set in the attached communication.

<b>Office Action Summary</b>	<b>Application No.</b> 10/636,125	<b>Applicant(s)</b> PHELPS, ROBERT B.	
	<b>Examiner</b> VANEL FRENEL	<b>Art Unit</b> 3687	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

### Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

### Status

- 1) ☒ Responsive to communication(s) filed on 9/18/08.
- 2a) ☒ This action is **FINAL**.                      2b) ☐ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

### Disposition of Claims

- 4) ☒ Claim(s) 1-4 and 23-27 is/are pending in the application.
- 4a) Of the above claim(s) \_\_\_\_\_ is/are withdrawn from consideration.
- 5) ☐ Claim(s) \_\_\_\_\_ is/are allowed.
- 6) ☒ Claim(s) 1-4 and 23-27 is/are rejected.
- 7) ☐ Claim(s) \_\_\_\_\_ is/are objected to.
- 8) ☐ Claim(s) \_\_\_\_\_ are subject to restriction and/or election requirement.

### Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on \_\_\_\_\_ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.  
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).  
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

### Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All    b) ☐ Some \*    c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
  2. ☐ Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.
  3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

\* See the attached detailed Office action for a list of the certified copies not received.

### Attachment(s)

- |                                                                                        |                                                                   |
|----------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| 1) <input checked="" type="checkbox"/> Notice of References Cited (PTO-892)            | 4) <input type="checkbox"/> Interview Summary (PTO-413)           |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948)   | Paper No(s)/Mail Date. _____                                      |
| 3) <input checked="" type="checkbox"/> Information Disclosure Statement(s) (PTO/SB/08) | 5) <input type="checkbox"/> Notice of Informal Patent Application |
| Paper No(s)/Mail Date <u>20070306, 20050715, 20040116, 20081208,</u>                   | 6) <input type="checkbox"/> Other: _____                          |
| <u>20081222</u>                                                                        |                                                                   |



## **DETAILED ACTION**

### **Notice to Applicant**

1. This communication is in response to the Amendment filed on 9/18/08. Claims 1-2 have been amended. Claims 5-22 have been cancelled. Claim 27 has been newly added. Claims 1-4 and 23-27 are pending.

### ***Claim Rejections - 35 USC § 101***

2. 35 U.S.C. 101 reads as follows:  
Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.
3. Claims 1-4 and 23-27 are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter.

Claims 1-4 and 23-27 recite a process comprising the steps of: investing, provides, provides, calculating and maintaining. Based on Supreme Court precedent, a proper process must be tied to another statutory class or transform underlying subject matter to a different state or thing (*Diamond v. Diehr*, 450 U.S. 175, 184 (1981); *Parker v. Flook*, 437 U.S. 584, 588 n.9 (1978); *Gottschalk v. Benson*, 409 U.S. 63, 70 (1972); *Cochrane v. Deener*, 94 U.S. 780,787-88 (1876)). Since neither of these requirements is met by the claim, the method is not considered a patent eligible process under 35 U.S.C. 101. To qualify as a statutory process, the claim should positively recite the other statutory class to which it is tied, for example by identifying the apparatus that accomplished the method steps or positively reciting the subject matter that is being

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transformed, for example by identifying the material that is being changed to a different state.

***Claim Rejections - 35 USC § 103***

4. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

5. Claims 1-4 and 23-27 are rejected under 35 U.S.C. 103(a) as being unpatentable over Halley et al. (4,969,094) in view of Brisbois et al. (2005/0216316).

As per claim 1, Halley discloses a method which comprises:  
investing by a pension plan of at least a portion of one or more assets of the pension plan so as to acquire an ownership interest in a selected set of current, in-force life settlement contracts sold by owners of the current, in-force life settlement contracts, wherein each of the set of current, in-force life settlement contracts is characterized in that it either (a) provides a plurality of periodic payments during a life of an insured or (b) provides a single death benefit on the life of the insured, and is selected so that the insured is not a beneficiary of the pension plan, and is selected so that a respective remaining life expectancy of each of the respective insureds is within a predetermined limit (See Halley, Col.2, lines 45-68 Col.3, line 15).

Halley does not explicitly disclose calculating periodically by the pension plan or having calculated, by means of an apparatus, a total value of the pension plan assets

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inclusive of the ownership interest in the selected set of current, in-force life settlement contracts so acquired, to thereby convert a value of the assets of the pension plan used to acquire the ownership interest in the selected set of current, in-force life settlement contracts into an actuarial present value of the ownership interest in the selected set of current, in-force life settlement contracts, wherein the actuarial present value is calculated using a method to increase a value of the ownership interest in each of a plurality of the acquired current, in-force life settlement contracts at each calculation period as a probability of death of a respective insured associated with a respective one of the life settlement contracts increases and the death of the respective insured has not occurred, and maintaining by the pension plan or having maintained the-enforceability of the selected set of current, in-force life settlement contracts and processing or having processed death benefits arising from the life settlement contracts.

However, these features are known in the art, as evidenced by Brisbois. In particular, Brisbois suggests that the method having calculating periodically by the pension plan or having calculated, by means of an apparatus, a total value of the pension plan assets inclusive of the ownership interest in the selected set of current, in-force life settlement contracts so acquired (See Brisbois, Page 3, Paragraphs 0022-0023), to thereby convert a value of the assets of the pension plan used to acquire the ownership interest in the selected set of current, in-force life settlement contracts into an actuarial present value of the ownership interest in the selected set of current, in-force life settlement contracts, wherein the actuarial present value is calculated using a method to increase a value of the ownership interest in each of a plurality of the

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acquired current, in-force life settlement contracts at each calculation period as a probability of death of a respective insured associated with a respective one of the life settlement contracts increases and the death of the respective insured has not occurred, and maintaining by the pension plan or having maintained the-enforceability of the selected set of current, in-force life settlement contracts and processing or having processed death benefits arising from the life settlement contracts (See Brisbois, Figs7-8; Page 14, Paragraph 0184; Page 16, Paragraphs 0213).

It would have been obvious to one of ordinary skill in the art at the time of the invention to have included the features of Halley within the system of Brisbois with the motivation of providing a novel reinsurance securitization method to securitize the timing and amount of the death benefits received to support the securitized life settlement bond and provide sufficient death proceeds for redemption of the bond. The invention also provides a proprietary pricing model used to determine the amount to be paid for each policy in the pool. In addition the invention provides methods of issuing, servicing and redeeming such a bond. The bond can be issued by a bond issuer and have a term for redemption. In one embodiment, each life settlement policy in the life settlement policy pool has an insured party and the life expectancy of each insured party is less than the term of the bond. Policies with life expectancies longer than the bond term can be purchased, in limited quantities, if desired. The average life expectancy is less than the term of the bond and sufficiently less to provide a desired expectation of receiving the death benefits. Furthermore, optionally each life expectancy can be freshly

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determined on behalf of the bond issuer prior to inclusion in the life settlement policy pool (See Brisbois, Paragraph 0021).

As per claim 2, Brisbois discloses a method wherein each of the one or more life settlement contracts is characterized in that it provides a single death benefit on the life of an insured (See Brisbois, Paragraph 0021).

As per claim 3, Brisbois discloses a method, wherein the remaining life expectancy of the insureds under the life settlement contracts is no more than 20 years (See Brisbois, Page 9, Paragraph 0103).

As per claim 4, Brisbois discloses a method according to claim 3, wherein the remaining life expectancy of the insureds under the life settlement contracts is no more than 15 years (See Brisbois Page 9, Paragraph 0103).

As per claim 23, Brisbois discloses the method wherein the investing step comprises investing in an ownership interest in a pool of current, in-force life settlement contracts (See Brisbois, Paragraph 0184).

As per claim 24, Brisbois discloses the method wherein the pool of current, in-force life settlement contracts are life settlement contracts obtained and made available for acquisition by a third party and wherein the third party maintains or



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has maintained the enforceability of the selected set of current, in-force life settlement contracts and processes or has processed death benefits arising from the life settlement contracts (See Brisbois, Paragraphs 0069; Paragraph 0136; Paragraph 0184).

As per claim 25, Brisbois discloses the method further comprising:  
setting a selection criterion for the selected set of current, in-force life settlement contracts that there will be no relative concentration of dollar value amount attributable to a single insurer or carrier (See Brisbois, Paragraph 0015).

As per claim 26, Brisbois discloses the method further comprising:  
administering the pension plan on an approximately regular basis to perform the investing and calculating steps to thereby reduce an unfunded actuarial accrued liability (UAL) and/or reduce any corresponding UAL amortization (See Brisbois Paragraph 0015; Paragraph 0091).

As per the newly added claim 27, Brisbois discloses the method wherein the calculation for each of a plurality of the life settlement contracts comprises a sum of amounts calculated for every out year through a final year of an actuarial table appropriate to a respective insured associated with a respective life settlement contract (See Brisbois, Paragraph 0125), wherein each amount calculated for every out year comprises a present value, at an interest rate, of a product of a probability that the insured for the life settlement contract will die during such year multiplied by the death

benefit (See Brisbois, Paragraph 0105; Paragraph 0125).

### ***Response to Arguments***

6. Applicant's arguments with respect to claims 1-4 and 23-27 have been considered but are moot in view of the new ground(s) of rejection.

Applicant's amendment necessitated the new ground(s) of rejection presented in this Office action. Accordingly, **THIS ACTION IS MADE FINAL**. See MPEP § 706.07(a). Applicant is reminded of the extension of time policy as set forth in 37 CFR 1.136(a). A shortened statutory period for reply to this final action is set to expire THREE MONTHS from the mailing date of this action. In the event a first reply is filed within TWO MONTHS of the mailing date of this final action and the advisory action is not mailed until after the end of the THREE-MONTH shortened statutory period, then the shortened statutory period will expire on the date the advisory action is mailed, and any extension fee pursuant to 37 CFR 1.136(a) will be calculated from the mailing date of the advisory action. In no event, however, will the statutory period for reply expire later than SIX MONTHS from the date of this final action.

### ***Conclusion***

7. Any inquiry concerning this communication or earlier communications from the examiner should be directed to VANEL FRENEL whose telephone number is (571)272-6769. The examiner can normally be reached on 6:30am-5:00pm.

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If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Matthew S. Gart can be reached on 571-272-3955. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.

/Matthew S Gart/  
Supervisory Patent Examiner, Art  
Unit 3687

/Vanel Frenel/

Examiner, Art Unit 3687

December 18, 2008